

Resume of Major Statements and Actions
of the President re the General Economic
Outlook and Efforts to Economize in the
Federal Government

1. Joint Session Congress, 27 November:

- called for passage of Tax Bill to increase national income and Federal revenues.
- pledged expenditures of Government would be administered with utmost thrift and frugality, dollar value for dollar spent, set example of prudence and economy. But will meet unfilled needs and honor commitments.

2. Presidential Memorandum to Heads of Departments and Agencies, 30 November:

- President
- determined hold 1965 Budget to bare minimum consistent with our responsibilities.
 - will give full support to addressees in their efforts to achieve legislative or administrative changes needed to tighten management.
 - will support adequate salary scales.
 - will accord recognition of those government units or employees who make notable advances in providing efficient service at lower cost.

- Addressees
- personal day-to-day responsibility for good management and economical administration.
 - press ahead on manpower control and utilization effort.
 - hold Agency employment at targets set by President Kennedy, 23 September.
 - make clear to employees must not only do job well but must try improve performance.
 - seek advice of Congress and others on ways to do public business more economically.
 - submit promptly report of major cost reductions last year and proposed steps next year to tighten operations and effect savings.

3. Press Release, 1 December:

- Personal letter going out to Defense contractors to enlist cooperation in getting dollar value on dollar spent. Pointed out Defense spending more than 50¢ out of every Government dollar. Asked SecDef to give weight to contractor cost savings in awarding contracts and fixing target profit rates.

- 2 -

- Strongly endorsed SecDef's cost reduction program, which showed savings excess of \$1 billion in FY 1963. DOD goal was to produce annual savings of \$4 billion by FY 1967. Goal in current FY is \$1.5 billion in actual savings.
- President sending personal letter to 7,500 Defense contractors who account for 90% of prime and sub-contracts, asking them to undertake own cost reduction programs in support of Government program.

NOTE: Sample copies of letters from President and from SecDef form part of this Tab.

4. Meeting with Heads Independent Regulatory Agencies, 3 December:

- quoted President Kennedy that task of preserving a balanced, competitive economy should not be made more difficult by admin delays or incompetence.
- stated "too much of our peoples' time and talent and energies are absorbed by routine demands of government when should be dedicated to greater and better service of government".
- recognized pressures on addressees.

5. Meeting with ExCom of AFL/CIO, 4 December:

- GNP up \$100 billion since January 1961.
- Civilian employment up 2 1/2 million.
- Total labor income up \$50 billion (17%).
- Average weekly earnings up to \$100.53 per week (13%).
- Average hourly earnings in manufacturing up 8% to \$2.47.
- Cited legislative gains such as Area Redevelopment Act, Public Works Acceleration Act, Manpower Development and Training Act, Fair Labor Standards Amendments (with significant statistics relating to each).
- Goal of Administration is 75 million jobs.
- Tax Bill can pour another \$11 billion into GNP.
- Mentioned Civil Rights Bill and Medicare.

6. Meeting with Business Advisory Council, 4 December:

- U.S. now in 34th month of unbroken economic expansion.
- GNP will cross \$600 billion mark within weeks, a record rise of \$100 billion in 3 years.
- Corporate profits up 43%, running at all time high of \$27.4 billion (\$19.2 billion in early 1961).
- Industrial production up 22%.
- Construction activity up 19%.
- Personal income is up \$65 billion (16%).
- Civilian employment up 2 1/2 million, labor income \$49 billion.

/and similar statistics continued/

- 3 -

- Urged support of Tax Bill, which could increase GNP by \$12 billion in 1964 and, when fully effective, by extra \$30 billion a year.
- Criticized delay on Civil Rights Bill.
- Men in Government going to be recognized in this Administration by not what they spend but what they save.
- Drew comparison with Soviet Union economy and business practices.

7. Press Release, 7 December:

- SecDef announced by 1 July 1965 direct-hire civilian employment will be reduced to 997,000 (25,000 below ceiling set some months ago for end-year this current fiscal year). First time Defense civilians below 1 million since early Korean War.
- SecDef stressed need for greater productivity, cited 1% "productivity cut" in preparing DOD FY 1964 budget.
- Reduction of 15% by end this fiscal year of personnel assigned to overseas headquarters staffs. (about 2,500 people)
- In MAP, a cut of 10% in overseas strength by 1 July 1964, and a cut of 15% in number of DOD foreign national employees by end this fiscal year.
- SecDef "We've just scratched the surface."

8. Press Conference, 7 December:

- Defense will spend several hundred million less this year than last. SecDef had program to cut 25,000 of DOD's 987,000 civilian employees.
- Last year spent proposed budget of \$98.8 billion. Must add to that \$1.8 billion for retirement and interest on debt; \$.8 billion that will be legislated for HEN and \$.3 to \$.4 billion for Labor; and another \$.5 billion elsewhere. Total add-on about \$3.5 billion to last year's \$98.8 billion. Start from there to reduce.

9. Press Conference, 18 December:

- To question whether budget would exceed \$100 billion, President replied figure unknown since "case being tried". He repeated budget base and add-ons described on 7 December (see above). However, he included in the \$1.8 billion figure mentioned above NASA contracts, AID, FAA, urban renewal, and public assistance grants.
- Went on to state most agencies asked more at least to cover pay increases, but some have new functions.
- Intended reduce expenditures non-essential to Defense.
- Installations in 15 states will be closed.
- Surveys required on remaining 6,700 bases.

- 4 -

- Pointed out increase in population of 21% since Mr. Truman was President, thus must have some increase in expenditures. However, increase will be minimal, hope to send budget to Congress which won't require severe and drastic reductions.
- Stated Council of Economic Advisors says U.S. now passing \$600 billion GNP rate. Every month Tax Bill delayed U.S. loses .5 billion in economy.
- Importance of percentage GNP being spent for Governmental purposes:
 - 46% during Roosevelt war years
 - 29% during Truman
 - 18.6% during Eisenhower
- Hope to come under that figure next year.
- There will be new programs, country will move ahead. Hope private sector can make substantial contribution after Tax Bill passed in relieving unemployment.

10. Statement to Cabinet, 11 December:

- Referred to November 30 memo to Heads of Departments and Agencies.
- Can hold line on employment without causing real damage.
- 9 out of 10 do full day's work - but want that 10th man to measure up.
- Cited need to cut out excessive paperwork, measure workloads carefully, strip down overly elaborate organizations.
- In short give as much attention to management as to programs.
- 1965 Budget for year-end civilian employment must be held below levels in 1964 and 1963 budgets.
- Budgets must reflect economies from better management and higher productivity.
- Will disapprove any budget request for more personnel except where facts leave no choice.
- Increases only when absolutely necessary to meet fixed commitments, to carry out new legislation, and to do work of highest priority.
- Praised hold-down of Federal employment in relation to population rise.

11. Director Budget Memo to Heads of Departments and Agencies, 11 December, Personal and Urgent:

- Forwarded President's Statement to Cabinet (10 above).
- At President's direction, asked for re-examination of appropriation, expenditure and employment figures contained in recent BOB allowance. Asked for further reductions which could be made through tighter management, better personnel utilization, postponement of program expansions, curtailment of programs not of highest urgency.

- 5 -

- Called for notification in writing of nature and amount these reductions by 6:00 p.m. on 13 December (less than 48 hours notice).

12. Meeting with Consumer Advisory Council, 13 December:

- Remarkd on danger of fascination with statistics to point we forget what society is all about, come to view production for production sake.
- Two economic functions of society: converting earth's resources to goods and commodities, then placing goods and commodities in hands of people.
- Noted Federal Government tendency to think of production/consumption only in massive terms - and he looks to Consumer Advisory Council as voice of consumer in Government.
- Stressed importance of the marketplace, but cautioned on price instability. Record good in this respect last few years. Average wholesale prices still below level early 1961, consumer prices up only 1.2% per year.
- Factors working which will enable manufacturers to hold line on prices include unused industrial capacity and unemployed workers to draw upon as demand increases; unit costs of production have held steady or declined, volume up, thus corporate profits at all time high and going up; tax cut will further reduce costs and strengthen markets.
- Pledged Government would avoid undue intrusion into economic picture, but aware dangers of renewed price-wage spiral.

13. Memorandum for the Heads of Departments and Agencies, 24 December:

- FY 1965 Budget will halt growth in Federal employment and show small reduction.
- Unconvinced getting maximum output from each employee.
- Budget Director sending out year-end maximum employment levels which result from President's decision on budgets for FY 1964 and FY 1965.
- These are ceilings not goals.
- Addressees must then establish new end-year targets below maximum ceilings. Report same to President who will review personally.
- After targets approved, addressees will make every effort to achieve through tighter management, redeployment of personnel, simplification of procedures, strapping work to essentials.
- Quarterly progress reports required beginning 1 April.
- Once targets approved, will not be exceeded without explicit Presidential approval.

- 6 -

14. Director of Budget Memo to Heads of Departments and Agencies,
26 December:

- transmitted and elaborated on item 13 above.
- addressees must identify new end-year employment targets for FY 1964 and FY 1965 below those allowed by President's decision on FY 1965 Budget.
- As guidance:
 - New targets for large agencies to be broken down by major components. Differentiate between permanent and other employees. New targets be achieved by meaningful economies not by statistical devices. Report to be submitted by 10 January.
- Guidance on quarterly progress reports will be forthcoming.

15. Press Conference, 27 December:

- Federal employment down 1,000 in November, nearly 3,500 less than a year ago.
- Reductions achieved by not filling vacancies.
- Of 2,470,571 at end November 1963, 42% are Defense, 24% Post Office, 7% Veterans Admin - leaving 658,000 to handle all other Government business.
- SecDef shut down or reduction of 33 installations being supported according mail received at 5 to 1. Jobs, if employees willing to move, can be found at other installations.
- DOD Board looking into all military installations since 1961 being pressed to accelerate studies.
- Described job change for Mr. Moscoso, Mr. Mann's taking on Alliance for Progress. Need for better use U.S. resources, public and private, in promoting economic and social progress in Latin America.
- Announced DCI's forthcoming meeting with President Eisenhower. Nature of discussions: "The Budget for next year; the steps we have taken with regard to effecting economies in the Federal Government; the ceilings that we have placed on each department; the new targets, the goals that we will have; the economic conditions that we anticipate for next year; the general intelligence developments and information from throughout the world.
- Made point of constant review military bases, fact that eliminating some does not rule out creating others (e.g. missile sites).

- 7 -

- Need to save on production un-needed military armaments and apply savings to human needs.
- Combing thru Government agencies, and after meeting with Cabinet on three-day study reduced budget by \$731 million and 10,000 jobs.

108 MAR 28 9 11 AM '81

108 MAR 28 11 11 AM '81